

## **City-Owned Land Lease Revenue Committed to Public Funding of Stadium**

**July 10, 2007 Council Meeting  
Item 5C – Joint Council/Agency Meeting**

### **Ground Leasing City-Owned Land**

#### **Overview**

- ❑ 49ers Stadium Proposal requests \$160 million, plus substation relocation and parking garage as City contribution.**
- ❑ City has made no commitment to the 49ers request but is reviewing various financing options.**
- ❑ One option under review is the possibility of ground leasing available City-owned land and pledging some or all of the lease revenues to a portion of the financing request.**

**Ground Leasing City-Owned Land**

**Background**

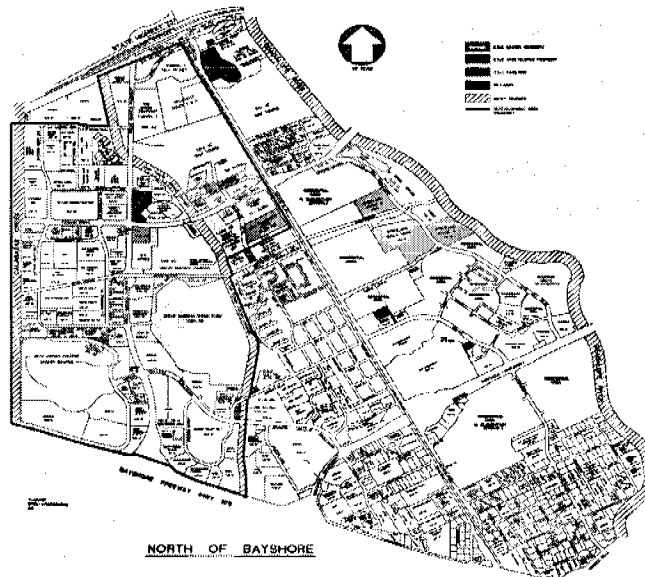
- ❑ In the 1960's and 1970's City purchased over 700 acres of property in the North Bayshore Area.
- ❑ Much of the property was used for landfill, street and infrastructure expansion and utility services.
- ❑ Approximately 300 acres was ground leased for various purposes.

**Ground Leasing City-Owned Land**

**Summary of Ground Lease Revenues**

<b><u>Category</u></b>	<b><u>Annual Lease Revenue</u></b> <b><u>(FY 06/07)</u></b>
Entertainment/Sports	\$5,604,584
Office Development	\$4,662,548
Hotels	\$1,954,413
Housing Projects	\$1,284,804
Restaurants/Retail	\$ 229,922
Cellular Telephone Sites	\$ 129,794
Miscellaneous	\$ 56,000
<b>Total</b>	<b>\$13,922,065</b>

### Ground Leasing City-Owned Land



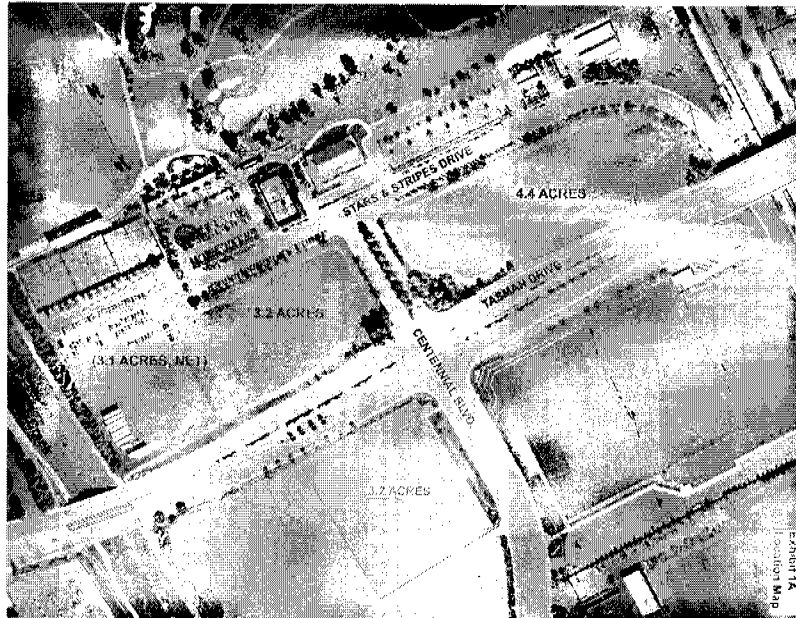
### Ground Leasing City-Owned Land

#### Remaining City-Owned Properties

##### **Four Parcels:**

1. 3.1 acre site in front of tennis courts – possible Convention Center garage site/281 space requirement.
2. 3.2 acre site in front of David's Restaurant.
3. 4.4 acre site in front of David's Banquet Facility.
4. 3.2 acre site across Centennial from the Youth Soccer Park. Held as flex parking space for possible redevelopment in Great America parking lot; and/or other uses.

### Ground Leasing City-Owned Land



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#### Property Management Policies

- ☐ Ground lease at fair market value.
- ☐ Do not subordinate City property or rents to lease financing.
- ☐ Ensure lessee has strong financial capability.
- ☐ Maintain a strong working relationship with lessee.

**Ground Leasing City-Owned Land**

**Keyser Marston Associates (KMA) Study**

- ☐ Reviewed potential lease value of 7.6 acres of the remaining 13.9 acres of City property.
- ☐ 2 parcels of 7.6 acres could be developed separately or as an integrated project.
- ☐ Remediation necessary due to proximity to landfill.

**Ground Leasing City-Owned Land**

**Highest and Best Use**

- ☐ Residential in area contrary to Council adopted policy.
- ☐ Best use would focus on office/hotel development.
- ☐ Both markets are experiencing a strong recovery.
- ☐ Assume approx. 400,000 sq ft of development at 10 to 12 stories at a floor-area-ratio of 1.2.

**Ground Leasing City-Owned Land**

**KMA Valuation**

- ☐ **KMA reviewed recent market transactions.**
- ☐ **Pricing in the range of \$50 to \$70 a square foot (\$17 million to \$24 million value range).**
- ☐ **A long-term land lease would be necessary.**
- ☐ **At an 8% return the 7.6 acres could realize \$1.6 to \$2.0 million annually.**

**Ground Leasing City-Owned Land**

**Land Lease Revenue Used as Public  
Contribution to a Stadium**

- ☐ **Construction financing would be necessary in a few years.**
- ☐ **Lease could be pre-paid.**
- ☐ **Secure a mortgage using land lease income.**

**Ground Leasing City-Owned Land**

**Recommendation**

- ❑ **Refer to City Manager to include the Keyser Marston Associates Study in the Stadium Feasibility Study.**

**Ground Leasing City-Owned Land**

- ❑ **Additional Legal and Consulting Services Needed (\$115,000) for the Completion of the 49ers Stadium Feasibility Study.**

## **Ground Leasing City-Owned Land**

**Questions?**